

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Washtenaw County Building Authority	County Washtenaw
Fiscal Year End December 31, 2006	Opinion Date March 15, 2007	Date Audit Report Submitted to State March 20, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

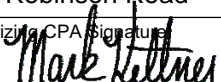
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	Not Applicable		
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 517-787-6503		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49203
Authorizing CPA Signature 		Printed Name Mark T. Kettner, CPA, CGFM		License Number 11673

WASHTENAW COUNTY BUILDING AUTHORITY

Basic Financial Statements

For The Year Ended December 31, 2006



REHMANN ROBSON

Certified Public Accountants

WASHTENAW COUNTY BUILDING AUTHORITY

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

March 15, 2007

To the Commissioners of the
Washtenaw County Building Authority Board
Ann Arbor, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the ***Washtenaw County Building Authority, a component unit of Washtenaw County***, as of and for the year ended December 31, 2006, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the Washtenaw County Building Authority. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Washtenaw County Building Authority as of December 31, 2006, and the respective changes in its financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.



BASIC FINANCIAL STATEMENTS

WASHTENAW COUNTY BUILDING AUTHORITY
Statement of Net Assets and
Governmental Funds Balance Sheet
December 31, 2006

	Debt Service Funds					Capital Projects Funds		Total		
	Ann Arbor District Court	Space Plan Phase IA Refunding	Space Plan Phase II	Head Start Building	Safe House Project	Saline Court Building	Head Start Building	Governmental Funds	Adjustments	Statement of Net Assets
Assets										
Cash and cash equivalents	\$ 111	\$ 198	\$ 133	\$ 37	\$ 13,401	\$ 1,516,583	\$ -	\$ 1,530,463	\$ -	\$ 1,530,463
Deferred charges	-	-	-	-	-	-	-	-	110,419	110,419
Leases receivable - County	-	-	-	-	-	-	-	-	9,391,003	9,391,003
Leases receivable - third parties	-	-	-	-	-	-	-	-	81,500	81,500
Total assets	\$ 111	\$ 198	\$ 133	\$ 37	\$ 13,401	\$ 1,516,583	\$ -	\$ 1,530,463	9,582,922	11,113,385
Liabilities										
Accrued interest payable	-	-	-	-	-	-	-	-	\$ 108,167	\$ 108,167
Long-term liabilities:										
Due within one year	-	-	-	-	-	-	-	-	1,705,000	1,705,000
Due in more than one year	-	-	-	-	-	-	-	-	8,172,723	8,172,723
Total liabilities	-	-	-	-	-	-	-	-	9,985,890	9,985,890
Fund balances										
Unreserved, undesignated	111	198	133	37	13,401	1,516,583	-	1,530,463	(1,530,463)	-
Total liabilities and fund balances	\$ 111	\$ 198	\$ 133	\$ 37	\$ 13,401	\$ 1,516,583	\$ -	\$ 1,530,463		
Net assets										
Restricted for debt service									13,880	13,880
Restricted for construction									1,113,615	1,113,615
Total net assets									\$ 1,127,495	\$ 1,127,495

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY BUILDING AUTHORITY
Statement of Activities and
Governmental Fund Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2006

	Debt Service Funds					Capital Projects Funds		Total		Statement
	Ann Arbor District Court	Space Plan Phase IA Refunding	Space Plan Phase II	Head Start Building	Safe House Project	Saline Court Building	Head Start Building	Governmental Funds	Adjustments	of Activities
Revenues										
Intergovernmental revenues	\$ 38,981	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,981	\$ 1,101,218	\$ 1,140,199
Investment income	82	258	151	67	460	5,046	35,466	41,530	-	41,530
Total revenues	39,063	258	151	67	460	5,046	35,466	80,511	1,101,218	1,181,729
Expenditures										
Capital improvements and acquisitions	-	-	-	-	-	-	67,375	67,375	(67,375)	-
Debt service:										
Principal	50,000	840,000	600,000	125,000	-	-	-	1,615,000	(1,615,000)	-
Interest and fiscal charges	9,410	202,025	58,350	104,600	-	-	-	374,385	30,499	404,884
Total expenditures / expenses	59,410	1,042,025	658,350	229,600	-	-	67,375	2,056,760	(1,651,876)	404,884
Revenues over (under) expenditures	(20,347)	(1,041,767)	(658,199)	(229,533)	460	5,046	(31,909)	(1,976,249)	2,753,094	776,845
Other financing sources (uses)										
Transfers from Washtenaw County	20,429	1,041,504	658,009	229,480	-	1,511,537	-	3,460,959	(3,460,959)	-
Transfers to Washtenaw County	-	-	-	-	-	-	(744,741)	(744,741)	744,741	-
Total other financing sources (uses)	20,429	1,041,504	658,009	229,480	-	1,511,537	(744,741)	2,716,218	(2,716,218)	-
Revenues and other sources over (under) expenditures and other (uses)	82	(263)	(190)	(53)	460	1,516,583	(776,650)	739,969	(739,969)	-
Change in net assets	-	-	-	-	-	-	-	-	776,845	776,845
Fund balances / net assets										
Beginning of year	29	461	323	90	12,941	-	776,650	790,494	(439,844)	350,650
End of year	\$ 111	\$ 198	\$ 133	\$ 37	\$ 13,401	\$ 1,516,583	\$ -	\$ 1,530,463	\$ (402,968)	\$ 1,127,495

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY BUILDING AUTHORITY

Notes To Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Washtenaw County Building Authority (the “Authority”) was established pursuant to Act 31, Public Acts of Michigan, as amended. The Authority has entered into various lease agreements with Washtenaw County (the “County”) and certain third party governments covering buildings constructed by the Authority (see Note 3).

Reporting Entity – These financial statements represent the financial position and the results of operations of a blended component unit of the County and are an integral part of that reporting entity.

Authority-wide and Fund Financial Statements – As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined authority-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to authority-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. Major individual governmental funds are reported as separate columns in the aforementioned financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The authority-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

WASHTENAW COUNTY BUILDING AUTHORITY

Notes To Basic Financial Statements

The Authority reports the following major governmental funds:

Debt service funds:

- Ann Arbor District Court
- Space Plan Phase IA Refunding
- Space Plan Phase II
- Head Start Building
- Safe House Project

Capital projects funds:

- Saline Court Building
- Head Start Building

Debt service funds account for the accumulation of resources for, and the payment of, interest and principal on bonded debt.

Capital projects funds account for the use of resources, primarily bond proceeds, in constructing or acquiring capital assets, including buildings.

As a general rule the effect of interfund activity, if any, has been eliminated from the authority-wide financial statements.

Long-term Obligations – In the authority-wide financial statements, long-term debt is reported as a liability. Bond discounts, premiums, issuance costs and refunding losses are deferred and amortized over the life of the applicable bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount, premium and deferred loss. Bond issuance costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond discounts, premiums and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Discounts or premiums on debt issuances are reported as other financing uses or sources, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

WASHTENAW COUNTY BUILDING AUTHORITY

Notes To Basic Financial Statements

2. CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the Authority's cash and cash equivalents, which were deposited entirely in the County Treasurer's internal cash management pool, was \$1,530,463. Because it is infeasible to allocate risk to individual component units or pool participants, aggregate cash and investment categorizations are presented in the County's basic financial statements.

3. LEASES RECEIVABLE

The Authority has entered into various lease agreements with the County and other governments for buildings acquired or constructed by the Authority. These agreements generally terminate with the retirement of the related bond issues. Leases receivable are reported at an amount equal to the lesser of the actual bond-financed construction costs incurred to date or the outstanding bond principal. Annual lease payments under these agreements are equal to the related bond principal and interest due each year. At termination of a lease, title to the leased property is passed to the County or other government.

Under the accrual basis of accounting and the provisions of FASB (Financial Accounting Standards Board) Statement No. 13, *Accounting for Leases*, the Authority's leases are classified as sales leases. As a result, leases receivable are recognized in the accompanying statement of net assets, whereas capital assets are not.

All lease agreements provide for the lessee to use, operate and maintain the property, at its own expense, subject to the terms and conditions of the agreements.

The current and noncurrent portions of leases receivable as of December 31, 2006 are as follows:

	<u>County</u>	<u>Third Parties</u>	<u>Total</u>
Due within one year	\$ 1,669,250	\$ 35,750	\$ 1,705,000
Due in more than one year	<u>7,721,753</u>	<u>45,750</u>	<u>7,767,503</u>
	<u><u>\$ 9,391,003</u></u>	<u><u>\$ 81,500</u></u>	<u><u>\$ 9,472,503</u></u>

WASHTENAW COUNTY BUILDING AUTHORITY

Notes To Basic Financial Statements

4. COMMITMENTS

The Authority has \$1,516,583 in capital projects fund balance at December 31, 2006, which is committed for construction or building acquisition that will occur in 2007 and succeeding years.

5. LONG-TERM DEBT

The Authority issues general obligation bonds to provide funds for the construction and acquisition of major capital facilities. The original amount of general obligation bonds issued in prior years was \$30,235,000. No new general obligation bonds were issued during the year.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 15 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities:		
Ann Arbor District Court	5.40%	\$ 115,000
Space Plan II	4.65%	650,000
Space Plan IA Refunding	2.125% - 3.250%	6,830,000
Head Start Building	2.60% - 4.75%	2,550,000
		<u>\$ 10,145,000</u>

WASHTENAW COUNTY BUILDING AUTHORITY

Notes To Basic Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 1,705,000	\$ 322,947
2008	1,090,000	267,909
2009	1,065,000	241,813
2010	1,100,000	214,437
2011	1,050,000	183,438
2012-2016	2,985,000	459,750
2017-2021	925,000	182,063
2022	225,000	10,687
	<u>\$ 10,145,000</u>	<u>\$ 1,883,044</u>

Long-term liability activity for the year ended December 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable	\$ 11,760,000	\$ -	\$ (1,615,000)	\$ 10,145,000	\$ 1,705,000
Deferred amounts for:					
Issuance discounts	(42,500)	-	2,500	(40,000)	-
Issuance premiums	110,015	-	(13,752)	96,263	-
Refunding loss	<u>(369,760)</u>	<u>-</u>	<u>46,220</u>	<u>(323,540)</u>	<u>-</u>
	<u>\$ 11,457,755</u>	<u>\$ -</u>	<u>\$ (1,580,032)</u>	<u>\$ 9,877,723</u>	<u>\$ 1,705,000</u>

WASHTENAW COUNTY BUILDING AUTHORITY

Notes To Basic Financial Statements

6. ADJUSTMENTS

Following is an explanation of the adjustments between the governmental funds balance sheet and the component-wide statement of net assets, which reconciles fund balances to net assets:

Fund balances	\$ 1,530,463
Adjustments:	
Leases receivable are not <i>current financial resources</i> and therefore are not reported in the governmental funds	
Leases receivable - County	9,391,003
Leases receivable - third parties	81,500
Deferred charges for bond issuance costs are currently expended in the governmental funds, whereas they are capitalized and amortized for net assets	110,419
Bonds payable are not due and payable in the current period and therefore not reported in the governmental funds	(10,145,000)
Discounts and premiums on bonds are reported as other financing uses or sources in the governmental funds, whereas they are capitalized and amortized for net assets (netted against bonds payable)	(56,263)
Deferred charges for bond refunding losses are not recognized in the governmental funds, whereas they are capitalized and amortized for net assets (netted against bonds payable)	323,540
Accrued interest payable on bonds is not recorded by governmental funds	<u>(108,167)</u>
Net assets	<u><u>\$ 1,127,495</u></u>

Following is an explanation of the adjustments between the governmental funds statement of revenues, expenditures and changes in fund balances and the component-wide statement of activities, which reconciles the net change in fund balances to the change in net assets:

WASHTENAW COUNTY BUILDING AUTHORITY

Notes To Basic Financial Statements

Net change in fund balances	\$ 739,969
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Adjustments:

Amounts received for the payment of certain bond principal and interest is recorded in the funds as other financing sources. For the statement of activities, the other financing sources are eliminated with that portion of the receipts that pertain to bond interest being recognized as intergovernmental revenues.

Intergovernmental revenues	1,101,218
Transfers from Washtenaw County, net	(2,716,218)

Repayment of bond and note principal is an expenditure in the funds, but the repayment reduces long-term liabilities for <i>net assets</i>	1,615,000
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Construction costs are recorded as expenditures in the funds, but increase leases receivable for <i>net assets</i>	67,375
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Accrued interest expense on bonds and the amortization of bond issuance costs and discounts are not recorded by governmental funds but are reported under interest and fiscal charges for purposes of *net assets*:

Accrued interest expense	16,962
Amortization of bond issuance costs	(12,493)
Amortization of discount on bonds	(2,500)
Amortization of premium on bonds	13,752
Amortization of deferred refunding loss	(46,220)

Change in net assets	<u><u>\$ 776,845</u></u>
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